

# A Three-Dimensional View of The Service Landscape

A popular management book from the early 1990s is entitled *The Customer Comes Second*. Written by Hal Rosenbluth and Diane McFerrin Peters, the book suggests that if companies focus on treating their employees well, customer satisfaction will naturally follow. This notion has an intuitive appeal, and over the past decade the link between employee satisfaction and customer satisfaction has been demonstrated in a number of studies.

A cause-and-effect scenario can easily be imagined: Customers prefer doing business with satisfied employees (as opposed to those who are bored, sullen or disgruntled); consequently customer satisfaction follows employee satisfaction. Or, the scenario can be flipped to produce an alternative explanation: Employees enjoy their jobs more and gain a greater sense of accomplishment if customers appreciate the service they receive; consequently employee satisfaction follows customer satisfaction. Either way, they seem to be mirror images of each other.

While these explanations make sense, an examination of data from numerous surveys reveals a relationship that is somewhat more complex and interesting.

Let's begin with customers (even if they do come second). Most companies gather some sort of customer feedback, whether through surveys, comment cards, panels or some other channel. While researchers can argue endlessly about validity, reliability and statistical precision, the main causes of dissatisfaction with service are pretty much the same whatever the industry and however the data are collected. These causes tend to fall into the categories to the left.

## Causes of Customer Dissatisfaction

- You didn't do what you said you would do (competency problem/basic service breakdown)
- You were unresponsive to my complaint, question or concern (poor communication and resolution process)
- You don't understand my needs (one-way relationship; poor listening and needs assessment)
- Your staff aren't knowledgeable about your products/services (lack of training and information)
- No one will take responsibility/initiative (lack of customer focus)
- You don't care about my business (attitude problem; lack of customer focus)

## Causes of Employee Dissatisfaction

- I don't have the right tools/systems/policies to do my job
- I don't get enough feedback/coaching/support
- I get mixed messages about what's important
- I don't get enough training/I don't have enough opportunity to grow and advance
- I don't have the authority to resolve problems or create positive outcomes
- I feel left out of the big picture/I don't get enough respect
- Oh, yes, and I don't get paid enough.

Now, let's look at front-line employees, the people who provide service to end-customers. A common misconception is that the major cause of employee dissatisfaction is money – specifically, inadequate pay and benefits. It is true that this is generally among the top two or three issues, but it seldom comes out as number one. Again, examination of numerous surveys in many industries reveals that there are a few common issues that lie at the root of most front-line employee dissatisfaction:

Put these lists together and we see that they are two sides of the same coin:

Customers want . . .	Employees want . . .
To get what they are promised	The tools/systems/ policies to do their job
Their problems resolved	Empowerment to solve problems
Their needs listened to/understood	More/better feedback
Knowledgeable employees; adequate information	More training; more/better feedback
Employees to take the initiative, take responsibility, represent the company	Empowerment; clear priorities; inclusion in the company's big picture
The company to value their business	Clear priorities; the tools/systems/policies to do their job

Take just about any customer complaint and it is easy to see the obverse issue from the employee side. For example, customers who call toll-free service numbers commonly say they feel rushed -- that the employee is more interested in getting them off the phone than in solving their problem. They may interpret this as rudeness, but travel to the other side of the phone line and you will find a frustrated employee who is told to keep calls short and who is rewarded for productivity rather than positive customer outcomes.

Similar scenarios are played out in every conceivable service situation, with employee and customer dissatisfaction growing from the same root causes. And this phenomenon is not confined to service interactions at the front line. Internal client/supplier relationships tend to follow a similar pattern: they are all part of a service chain that gets knotted up by the same problems.

This has important implications for those who conduct customer or employee satisfaction surveys. If nothing else, it suggests that the studies should be combined. Unfortunately, this is seldom done because they are generally conducted by different managers in different departments with different budgets. Employee satisfaction is typically viewed as an HR issue,

while customer satisfaction tends to fall under Operations or Marketing (for no good reason other than the fact that Marketing funds Market Research).

Designing and conducting the two surveys together may require coordination among different functional areas of the company, but it is worth the effort. One advantage is that it provides a three-dimensional picture of the company's service landscape. When both sides of the service equation are viewed simultaneously, the solutions are clearer.

A second advantage is that it is more likely to lead to real change. Both customer and employee surveys have a habit of generating reports that gather dust on shelves, resulting in little or no significant action. Combined customer/employee satisfaction studies, which require a cross-functional effort, tend to create higher visibility and accountability.

### Research Should Answer The Following Questions:

- What customer and employee behaviors should we focus on changing?
- What do customers and employees need before those changes will occur?
- What financial benefits will result from those changes?

Like most market research, the design of the surveys should be rooted in well-defined business goals. It is not enough to say that customers and employees should be more satisfied; there ought to be specific, profit-based consequences associated with changes in satisfaction levels. When the results are analyzed, the survey sponsors should be able to answer the questions to the left.

Identifying the financial benefits is the key to ensuring action. For customers, higher satisfaction may result in lower turnover, greater share of wallet, fewer complaints and returns, and positive word-of-mouth. For employees, higher satisfaction can result in lower turnover (which means lower up-front recruitment, hiring and training costs), greater productivity (including fewer sick days taken, less tardiness, etc.) and, according to some studies, less "inventory shrinkage".

A combined satisfaction study should help managers focus on making changes that have the greatest overall benefit relative to cost. By looking at both customers and employees, a more complete picture of the financial implications will emerge. For example, customers may indicate a desire for more knowledgeable employees so they can make better product choices – a change that is expensive to provide, as it can require significantly more investment in training. However, the study may also show that the current training regime results in high employee turnover and low productivity. When the benefits from both the customer and employee side are factored in, the investment may seem better than if only one side were studied.

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